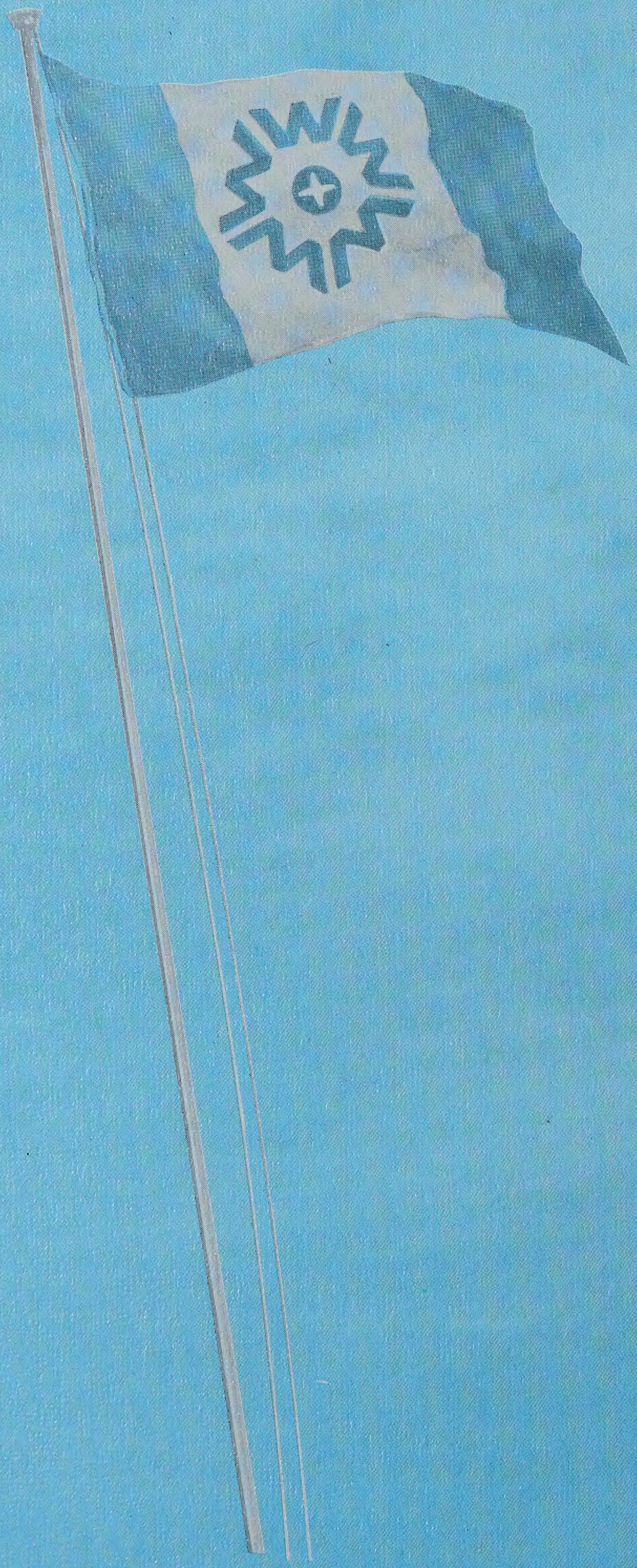
Westburne International Industries Ltd.

Annual Report 1975



Annual Meeting
The Annual General Meeting of the Shareholders will be held in the Marquis Room, Palliser Hotel, in the City of Calgary, Alberta at 9:30 o'clock in the forenoon on Tuesday, July 22, 1975.

DIRECTORS

T. H. ATKINSON, M.C.
Retired Bank Executive,
Montreal, Quebec.

W. M. BOOTH,
President, Superior Drilling Inc.,
Contract oil & gas drilling,
Denver, Colorado.

JOHN H. COLEMAN,
Retired Bank Executive,
Toronto, Ontario.

* LUCIEN CORNEZ,
‡ *President of United Westburne Industries Limited,*
Montreal, Quebec.

* F. R. MATTHEWS, Q.C.,
Barrister & Solicitor,
Partner of MacKimmie Matthews,
Calgary, Alberta.

ABRAHAM PALMER,
‡ *President, Palmers Plumbing Supply Limited,*
Ottawa, Ontario.

JOSEPH RIMERMAN,
‡ *President, Craig Plumbing & Heating Supplies Co. Ltd.,*
Montreal, Quebec.

MAURICE SAILLANT,
‡ *President, Saillant Inc.,*
Plumbing & heating supplies,
Quebec, Quebec.

* J. A. SCRYMGEOUR,
Chairman of the Board,
Westburne International Industries Ltd.,
Tucker's Town, Bermuda.

R. D. SOUTHERN,
President, Atco Industries Ltd.
Manufacturer of portable housing,
Calgary, Alberta.

D. N. STOKER,
Vice-President and Director,
Nesbitt, Thomson and Company, Limited
Securities dealer/broker,
Montreal, Quebec.

D. W. WESTCOTT,
‡ *President, Engineering & Plumbing Supplies Limited,*
Winnipeg, Manitoba.

* W. S. ZARUBY,
President, Westburne International Industries Ltd.,
Calgary, Alberta.

* *Member of the Executive Committee*
‡ *Subsidiary company*

OFFICERS

J. A. SCRYMGEOUR,
Chairman of the Board.

WALTER S. ZARUBY,
President.

LUCIEN CORNEZ,
Senior Vice-President — Equipment and Supplies.

S. ABRAMOVITCH,
Vice-President — Finance.

D. W. WESTCOTT,
Vice-President.

W. J. CUMMER,
Treasurer.

L. R. ROBERTS,
Controller and Secretary.

Head Office

535 Seventh Avenue S.W., Calgary, Alberta

Transfer Agent and Registrar

Montreal Trust Company,
Vancouver, Calgary, Regina, Winnipeg, Toronto and Montreal.

Stock Exchange

The Toronto Stock Exchange,
The Montreal Stock Exchange,
Ticker Symbol (W.B.I.).

Legal Counsel

MacKimmie Matthews, Calgary, Alberta.
Dunnington, Bartholow & Miller, New York, U.S.A.

Auditors

Touche Ross & Co.

Financial Highlights

	1975	1974
For the Year Ended March 31 —		
Total Operating Revenue	**$310,488,000**	$235,330,000
Net Earnings For The Year	**9,874,000**	5,513,000
Net Earnings Applicable To Common Shares		
Before Extraordinary Items	**9,172,000**	4,685,000
* Per Common Share	**2.94**	1.51
After Extraordinary Items	**9,378,000**	5,004,000
* Per Common Share	**3.01**	1.61
Cash Flow From Operations — after preferred dividends	**16,233,000**	10,888,000
As at March 31 —		
Fixed Assets — Net	**81,437,000**	48,639,000
Total Assets	**213,934,000**	155,445,000
Long Term Debt — less amount due within one year	**62,390,000**	31,068,000
Shareholders' Equity		
Preferred	**6,648,000**	6,902,000
Common	**41,496,000**	32,021,000
Per Common Share	**13.31**	10.30
Total Equity	**48,144,000**	38,923,000
Number of common shares outstanding (net)	**3,116,517**	3,109,272

** Based on weighted quarterly average number of shares outstanding during the year.*

Information on Capital Stock

Westburne has three classes of shares — Preferred Shares of the par value of $25 each, Subordinated Preferred Shares of the par value of $10 each and Common Shares of the par value of $1 each. The Subordinated Preferred Shares were issued and sold only to directors, officers and employees of Westburne or its subsidiaries and are not listed on any stock exchange. The Preferred Shares, Common Shares and Share Purchase Warrants (which entitle a holder thereof, upon exercise (up to March 15, 1977) and payment of $6, to One (1) Common Share) are listed on The Toronto Stock Exchange and The Montreal Stock Exchange.

The high sale and low sale prices on The Toronto Stock Exchange were as follows:

Two years ended March 31, 1975

	June 30 1973	*1974*	*September 30 1973*	*1974*	*December 31 1973*	*1974*	*March 31 1974*	*1975*
Preferred Shares								
High	$47 ¾	33	44	28 ½	39 ⅞	25 ½	38 ¾	30
Low	$39	24 ½	38 ½	25	34	25	34	25
Common Shares								
High	$15 ¾	11	13 ½	9 ½	12 ½	7 ⅝	12 ¾	8 ⅝
Low	$11 ¼	7 ⅜	10 ¼	6 ½	9 ½	5 ¼	10 ½	5 ⅞
Share Purchase Warrants								
High	$10	6 ¾	9	5	8 ¼	4	8 ¼	5 ¼
Low	$ 6 ¼	4	7	3 ¾	4 ½	2 ¼	6 ½	3

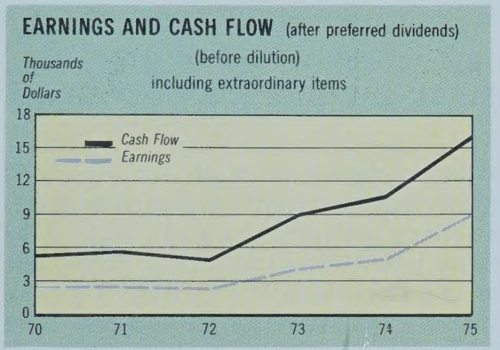
No dividends have been paid on the Common Shares.

DIVIDEND HISTORY

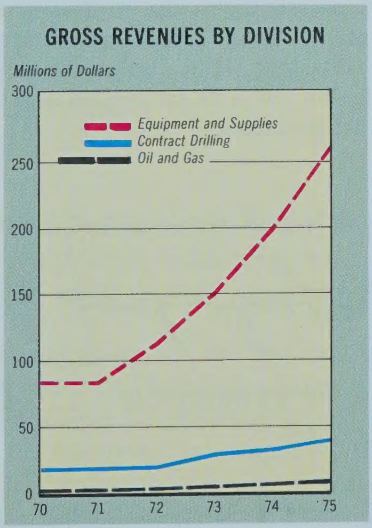
Preferred Shares								
Series A	$ 0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Subordinated Preferred Shares								
1969 Series	$ 0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125
1970 Series	$ 0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15
1973 Series	—	$ 0.15	0.15	0.15	0.15	0.15	0.15	0.15

To The Shareholders:

Net earnings of $10,474,000 before preferred dividends and minority interest from operating revenues of $310,488,000 were both record levels in the year ended March 31, 1975. Coming in the twelve month period when numerous negative factors seemed to pile one on the other — high rates of interest, government tax and royalty increases, international banking crises — this performance is all the more remarkable. It could not have been possible without the competence of Westburne's personnel and their interest in our many varied activities in Canada and around the world. The opportunity was present in our markets, the Company's bankers gave support as they have always done throughout the growth of the Company and our people made it work profitably.

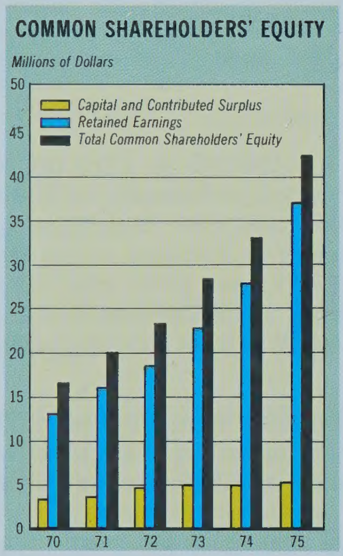


Operating revenues increased by $75,158,000 to $310,488,000, a 32 percent improvement over the previous record performance of $235,330,000 in the prior year. Earnings and cash flow also show impressive gains over the prior year's figures. Earnings applicable to common shares were $2.94 before extraordinary income (1974 — $1.51) and $3.01 after extraordinary income (1974 — $1.61). Cash flow from operations was $16,752,000 up from $11,397,000 in 1974, an increase of 49 percent from the prior year.



Expansion of plant and facilities continued during the year. The equipment and supplies division acquired a Vancouver based electrical wholesaler with operating branches in British Columbia and Alberta. The oil exploration and production division participated in further development drilling on its Canadian properties and exploratory drilling in the North Sea. Capital expenditures amounted to $41,105,000 of which approximately $34,000,000 was expended on assembly of drilling rigs and ancillary equipment for large contracts in Algeria, Iran, the United Kingdom sector of the North Sea and a Westburne designed drillship. Total capital expenditures on these projects will amount to approximately $65,000,000. The funds expended to March 31, 1975 have been provided by a $3,000,000 sale and leaseback of drilling rigs used in the Company's Denver-based U.S.A. operations, interim bank financing of $28,221,000 and funds generated within the Company. Six-year term financing has been arranged in the amount of $40,000,000 from a syndicate of American, Canadian and European banks and further negotiations are in progress for additional long-term financing of $13,000,000 for these projects. Interim financing will be retired from the proceeds of the long-term loans. Interest rates for the long-term financing arranged to date will vary during the period of the loans but generally will be 2% over the cost of London Interbank Offering Rates or Canadian Prime Rates. In addition a $3,500,000 thirteen-year 11½ percent term financing was arranged for the oil exploration and production division of which $2,500,000 had been received up to the fiscal year end.

Your Company's total assets increased to almost $214,000,000 at March 31, 1975 which is more than three times the total assets at March 31, 1970, the first fiscal year end after acquisition of the three principal subsidaries, United Westburne Industries Limited, Westburne Petroleum Services Ltd. and Westburne Petroleum and Minerals Ltd. Working capital reached $31,900,000 almost a threefold increase since 1970.



Common shareholders' equity was $41,496,000 equivalent to a book value equity per common share of $13.31, an increase of $3.01 in the year.

There are still problems particular to certain areas of our worldwide operations, but regardless, we expect that our group will have another excellent year, highlighted by new foreign drilling contracts which will begin to be reflected in our earnings. In Canada we look forward to a more favourable economic climate in the oil and gas industry which will provide a growth impetus to the presently declining rate of exploration for oil and gas. Both Federal and Provincial levels of government appear to recognize the need for more stable policies on taxation and royalties in order to provide risk capital incentives to meet future petroleum needs of the nation. This together with the expectation that a larger proportion of the anticipated increase in price of Canadian crude oil will be passed on to the producing companies rather than being retained by government, should benefit our contract drilling and oil exploration and production divisions. The equipment and supplies division anticipates continued growth but on a more modest level than was experienced in the remarkable year just concluded.

On behalf of the Board of Directors

J. A. SCRYMGEOUR
Chairman.

July 2, 1975.

Five Year Consolidated Summary of Earnings

(Thousands of Dollars)

	1975	1974	1973	1972	1971
OPERATING REVENUES					
Sales of merchandise	**$266,881**	$200,308	$147,792	$109,358	$ 84,686
Contract drilling	**39,482**	32,513	29,573	19,604	18,608
Oil and gas production	**4,125**	2,509	1,728	1,674	1,420
	310,488	235,330	179,093	130,636	104,714
COSTS AND EXPENSES					
Cost of sales — merchandise	**210,388**	162,005	122,079	91,010	70,669
Contract drilling	**28,049**	23,258	21,254	14,720	13,510
Oil and gas production	**1,636**	1,206	867	714	573
Depreciation and depletion	**3,712**	3,421	2,860	2,139	1,967
Selling, general and administrative	**41,500**	30,284	22,007	16,130	12,921
	285,285	220,174	169,067	124,713	99,640
EARNINGS FROM OPERATIONS	**25,203**	15,156	10,026	5,923	5,074
Interest expense less interest and other income	**4,813**	3,912	2,086	1,064	751
	20,390	11,244	7,940	4,859	4,323
INCOME TAXES	**10,122**	5,653	3,644	1,865	1,451
	10,268	5,591	4,296	2,994	2,872
OTHER					
Extraordinary items	**206**	319	400	102	517
Minority interest	**(600)**	(397)	(252)	(240)	(233)
NET EARNINGS	**$ 9,874**	$ 5,513	$ 4,444	$ 2,856	$ 3,156

Income taxes for the years 1971 to 1973 were restated to reflect the recording of corporate income taxes on the tax allocation basis for timing differences between accounting income and taxable income in respect of intangible assets as well as in respect of tangible assets.

Income taxes for the five year period reflect the adoption of a Canadian accounting policy which provides that the tax benefit resulting from a loss carry forward which was not recorded in the period in which the loss occurred should be shown as an extraordinary item in the earnings statement of the period of realization. In prior years, the Company has acquired subsidiaries which had incurred tax losses. Net earnings are not affected, however, the provision for current income taxes has been increased in each year and these amounts have been offset by income tax reductions shown as extraordinary income.

Extraordinary items are principally the income tax reductions explained in the foregoing paragraph except in 1971 and 1972 when the Company realized foreign exchange gains of $173,000 and $41,000 respectively.

Management's Discussion and Analysis of Operations for Fiscal 1975 and 1974 is as Follows:

CONSOLIDATED STATEMENT OF EARNINGS

— **Operating revenue** — each division contributed to the increase in operating revenue in the fiscal year ended in 1975 with equipment and supplies division increasing $66,573,000 (33%), contract drilling division increasing $6,969,000 (21%) and oil and gas production increasing $1,616,000 (64%). These division increases were a result of —

a) Equipment and supplies — increased and steady demand for this division's product lines together with additional volume from acquired subsidiaries in fiscal 1975 and 1974.

b) Contract oil and gas drilling division — increased demand in United States and foreign areas exceeded reduction of demand in Canada.

c) Oil exploration and production — increased production and increased sales prices of crude oil.

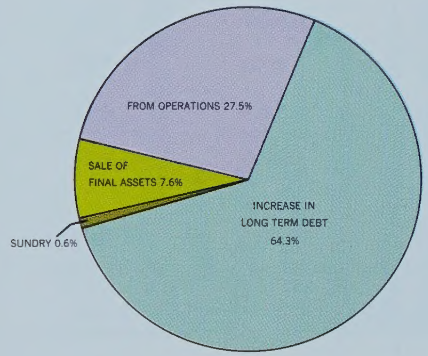
— **Costs and expenses** — increases in costs and expenses were experienced in 1975 but the additional operating revenues enabled the Company to cover these costs and improve operating margins over 1974.

— **Interest expense** — (less interest and other investment income) — this item reflects the additional costs in 1975 of current lines of bank credit required to finance receivables and inventory related to increased volume and to interest on certain additional long term debt to finance acquisition of further business assets.

— **Net earnings** — as a result of improved operating margins the net earnings after income tax, minority interest and dividends on preferred shares increased from $2.94 per common share ($3.01 after extraordinary item) compared to $1.51 per common share ($1.61 after extraordinary item) in the prior year.

CHANGES IN FINANCIAL POSITION
(as a percentage)

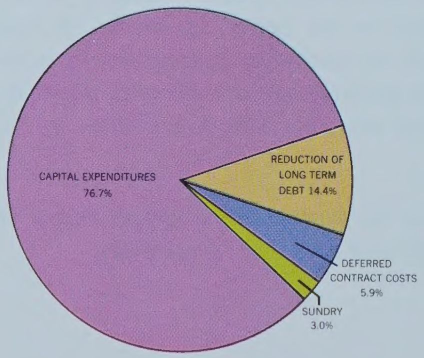
SOURCE OF FUNDS



CONSOLIDATED CHANGES IN FINANCIAL POSITION

Principal sources of funds during each of fiscal 1975 and 1974 were those generated by operations and by issue of long term debt. Funds from operations were $16,729,000 compared to $11,397,000 in 1974 and long term debt issues were $39,017,000 compared to $16,184,000 in 1974. Included in the $39,017,000 of long term debt issues in fiscal 1975 are interim advances of $19,500,000 on long term financing of $40,000,000 proposed for closing in June 1975 and interim bank financing of $8,771,000 which will be repaid from further long term financing. The $40,000,000 long term financing will be used to finance the majority of the cost of drilling rigs for use on contracts in Algeria and Iran, the costs of which to March 31, 1975, aggregated approximately $30,000,000. This amount together with funds of approximately $2,416,000 for equipment for platform and drillship rigs and $2,628,000 to upgrade the Westdrill No. 1 accounted for the major portion of the total funds of $41,105,000 expended on capital expenditures. The other principal application of funds was on reductions of long term debt of $7,695,000 and prepayment of costs of $3,174,000 related to the Algerian and Iranian contracts, such costs to be charged against income over the term of the contracts.

APPLICATION OF FUNDS



Consolidated Statement of Earnings For the Year Ended March 31, 1975

(Thousands of Dollars)

	1975	1974
OPERATING REVENUES		
Sale of merchandise	$266,881	$200,308
Contract drilling	39,482	32,513
Oil and gas production	4,125	2,509
	310,488	235,330
COSTS AND EXPENSES		
Cost of sales — merchandise	210,388	162,005
Contract drilling	28,049	23,258
Oil and gas production	1,636	1,206
Depreciation and depletion (Note 4)	3,712	3,421
Selling, general and administrative	41,500	30,284
	285,285	220,174
EARNINGS FROM OPERATIONS	25,203	15,156
OTHER EXPENSES (revenues)		
Interest — long term debt	3,770	2,517
Other interest	3,507	2,157
Interest and other investment income	(1,965)	(834)
Sale of fixed assets	(499)	72
	4,813	3,912
EARNINGS BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	20,390	11,244
INCOME TAXES		
Current	7,452	3,447
Deferred	2,670	2,206
	10,122	5,653
EARNINGS BEFORE EXTRAORDINARY ITEM	10,268	5,591
EXTRAORDINARY ITEM		
Income tax reduction due to application of loss carry forward	206	319
EARNINGS BEFORE MINORITY INTEREST	10,474	5,910
Minority interest	600	397
NET EARNINGS FOR THE YEAR	$ 9,874	$ 5,513

Earnings per common share — Note 14

Consolidated Balance Sheet at March 31, 1975

(Thousands of Dollars)

ASSETS

	1975	1974
CURRENT		
Cash and short term deposits (Note 2)	**$ 8,402**	$ 3,723
Accounts receivable	**56,423**	48,838
Inventories, at lower of cost or net realizable value	**49,461**	42,910
Prepaid expenses and consumable supplies	**4,638**	1,638
Total current assets	**118,924**	97,109
INVESTMENTS AND ADVANCES, at cost (Note 3)		
Shares and advances		
Panarctic Oils Ltd.	**2,717**	2,284
Other	**1,139**	1,123
Notes and mortgages receivable	**112**	473
Notes receivable — directors and employees	**2,176**	2,176
	6,144	6,056
FIXED ASSETS, at cost (Note 4)	**105,376**	70,695
Less accumulated depreciation and depletion	**23,939**	22,056
	81,437	48,639
OTHER		
Deferred contract costs (Note 1)	**3,174**	—
Financial expenses, less amounts amortized	**168**	184
Excess of cost of investments in shares of subsidiaries over net assets at date of acquisition (Note 5)	**4,087**	3,457
	7,429	3,641
	$213,934	$155,445

Signed on behalf of the board

J. A. SCRYMGEOUR, Director

W. S. ZARUBY, Director

LIABILITIES

	1975	1974
CURRENT		
Bank loans, secured (Note 6)	**$ 37,992**	$ 28,698
Accounts payable	**39,876**	38,374
Income taxes payable (Note 12)	**3,924**	2,285
Dividend payable	**73**	74
Long term debt due within one year	**5,132**	2,898
Total current liabilities	**86,997**	72,329
LONG TERM DEBT LESS AMOUNT DUE WITHIN ONE YEAR (Notes 6 & 7)	**62,390**	31,068
DEFERRED INCOME TAXES	**11,808**	9,129
MINORITY INTEREST (Note 8)	**4,595**	3,996
Total liabilities	**165,790**	116,522

SHAREHOLDERS' EQUITY

	1975	1974
CAPITAL STOCK (Note 9)		
Preferred	**6,648**	6,902
Common	**3,116**	3,109
CONTRIBUTED SURPLUS (Note 10)	**2,105**	2,050
RETAINED EARNINGS (Note 11)	**36,275**	26,862
Total shareholders' equity	**48,144**	38,923
	$213,934	$155,445

Consolidated Statement of Retained Earnings For the Year Ended March 31, 1975

(Thousands of Dollars)

	1975	1974
BALANCE AT BEGINNING OF YEAR	**$ 26,862**	$ 22,229
ADD		
Net earnings for the year	**9,874**	5,513
Reduction (increase) of minority interest arising from increase (decrease) in the ownership of United Westburne Industries Limited	**35**	(371)
	36,771	27,371
DEDUCT		
Dividends on preferred shares		
Series "A"	**378**	392
1969 Series	**15**	17
1970 Series	**80**	82
1973 Series	**23**	18
BALANCE AT END OF YEAR	**$ 36,275**	$ 26,862

Consolidated Statement of Changes in Financial Position For the Year Ended March 31, 1975

(Thousands of Dollars)

	1975	1974
WORKING CAPITAL — OPENING BALANCE	$ 24,780	$ 20,766
SOURCE OF FUNDS		
Net earnings	9,874	5,513
Depreciation and depletion	3,712	3,421
Deferred income tax	2,670	2,206
Other	473	257
	16,729	11,397
Long term debt	39,017	16,184
Sale of fixed assets	4,595	3,902
Collection of notes and mortgages	361	475
Issue of capital stock — common and preferred shares	—	345
Sale of investment	—	306
Sundry	7	—
Total	60,709	32,609
APPLICATION OF FUNDS		
Capital expenditures	41,105	16,242
Reduction in long term debt	7,695	9,148
Deferred contract costs	3,174	—
Purchase of investments	449	1,952
Dividends on preferred shares	496	509
Purchase for cancellation of Series "A" Preferred Shares	212	—
Excess cost of investment in shares of subsidiaries acquired over net book value of assets	645	499
Decrease (increase) in minority interest	(214)	167
Sundry	—	78
Total	53,562	28,595
INCREASE IN WORKING CAPITAL	7,147	4,014
WORKING CAPITAL — CLOSING BALANCE	$ 31,927	$ 24,780
CHANGES IN WORKING CAPITAL		
Increase (decrease) in		
Cash and short term deposits	$ 4,679	$ 1,472
Accounts receivable	7,585	9,246
Inventories	6,551	13,212
Prepaid expenses and consumable supplies	3,000	891
DECREASE (INCREASE) IN		
Bank loans	(9,294)	(8,250)
Other payables	(3,140)	(12,845)
Long term debt due within one year	(2,234)	288
INCREASE IN WORKING CAPITAL	$ 7,147	$ 4,014

Notes to Consolidated Financial Statements March 31, 1975

1. PRINCIPLES OF CONSOLIDATION AND ACCOUNTING POLICY

(a) The consolidated financial statements include the accounts of Westburne International Industries Ltd. and all subsidiary companies (collectively called for the purposes of these notes the "Company"). 618,980 Common Shares of Westburne International Industries Ltd. owned by subsidiaries and carried at a cost of $2,274,000 are eliminated on consolidation. Two principal subsidiaries, Westburne Petroleum Services Ltd. ("W.P.S.") and United Westburne Industries Limited ("United") are consolidated on a pooling of interest basis. All other subsidiaries, including subsidiaries of the two principal subsidiaries, have been accounted for as purchases and their accounts included in the financial statements since the effective dates of acquisition.

The consolidated financial statements include the Company's share of the assets, liabilities, revenues and expenses of two joint ventures involving contract drilling operations.

(b) Assets and liabilities and income and expenses of the Company which are in currencies other than Canadian dollars are converted into Canadian funds on the following basis:

i. Current assets and current liabilities at exchange rates in effect at the end of the period;
ii. All non-current assets and liabilities at the rates prevailing when acquired or incurred; and
iii. Income and expenses, except depreciation and depletion, at the average rate for the period.

(c) The Company follows the full cost method of accounting in respect of its oil and gas activities. All costs relating to the exploration for and development of oil and gas reserves are capitalized. Proceeds from disposal of properties are deducted from costs without recognition of gain or loss.

(d) Deferred contract costs represent mobilization and start-up costs incurred to date on drilling contracts in foreign countries. These costs will be amortized over the term of the contracts.

2. FOREIGN CURRENCY RESTRICTIONS

Cash of $696,342 is subject to foreign currency restrictions.

3. INVESTMENTS AND ADVANCES

(a) Panarctic Oils Ltd.

The Company at March 31, 1975 had acquired 829,105 common shares of Panarctic in consideration of contributions of $2,717,000 on exploration and drilling operations being carried out on lands controlled by Panarctic in the Arctic Islands (to March 31, 1974 the sum of $2,284,000 had been contributed). The Company is committed to contribute a further $36,000.

(b) Notes receivable — directors and employees

The Company holds notes of directors and employees, including officers, which have arisen from subscriptions for Preferred Shares of the Company and W.P.S. and the sale of common shares of United, as set out hereunder:

	1975 and 1974
5% notes receivable due on or before December 31, 1979	$ 160,000
6% notes receivable due on or before December 31, 1980	1,330,000
6% notes receivable due on or before July 1, 1983	380,000
Non-interest bearing notes receivable due on or before May 1, 1983	306,000
	$2,176,000

4. FIXED ASSETS, DEPRECIATION AND DEPLETION

	1975		1974	
	Cost	*Net book value*	*Cost*	*Net book value*
Land	$ 1,541,000	$ 1,541,000	$ 1,683,000	$ 1,683,000
Buildings	11,725,000	8,893,000	9,513,000	7,018,000
Drilling rigs	39,860,000	32,044,000	31,425,000	23,351,000
Drill string	7,913,000	5,051,000	5,518,000	2,960,000
Oil production equipment	4,149,000	3,007,000	3,515,000	2,564,000
Other equipment	16,140,000	10,216,000	9,919,000	4,983,000
Oil and mineral leases and development expenditures	11,040,000	7,677,000	9,122,000	6,080,000
Drilling equipment, under construction	13,008,000	13,008,000	—	—
	$105,376,000	$81,437,000	$70,695,000	$48,639,000

(a) The Company has negotiated drilling contracts in foreign countries which require approximately $60,000,000 of capital expenditures. At March 31, 1975 the company had completed assembly of approximately $21,000,000 of this equipment and had expended a further $13,008,000 for equipment under construction.

(b) It is the policy of the Company to depreciate the cost of plant and equipment to its estimated residual value over the estimated useful lives of the assets as follows:
Buildings — at rate of 5% to 10% mainly on a diminishing balance basis
Drilling rigs — at a rate per drilling day designed to prorate original cost less a residual value of 30% over 3,000 drilling days
Drill string — straight-line basis related to drilling activity
Oil production equipment, oil and mineral leases and development expenditures — unit of production based on full cost method and estimated recoverable reserves
Other equipment — mainly 20% to 30% diminishing balance basis.

5. EXCESS OF COST OF INVESTMENTS IN SHARES OF SUBSIDIARIES OVER NET ASSETS AT DATE OF ACQUISITION

The unamortized excess of cost of investment in shares of subsidiaries over net assets at date of acquisition arises from the accounting for acquisitions of subsidiaries on a purchase basis. This excess has been allocated as follows:

Fixed assets	$1,003,000
Intangibles	4,087,000
	$5,090,000

Management is of the opinion that the amount of $3,457,000 attributed to intangible assets pertaining to subsidiaries acquired prior to April 1, 1974 is of continuing value and accordingly does not contemplate any amortization of this amount, however, in accordance with generally accepted accounting practice the excess cost of investment in shares of subsidiaries acquired after that date is being amortized over a period of 40 years.

6. ASSETS PLEDGED

The Company has pledged all accounts receivable, certain investments, certain of its oil and gas producing properties and has granted debentures secured by floating charges on certain assets, as security for bank loans and interim financing.

The Company has also granted a floating charge on certain assets as security for outstanding Sinking Fund Debentures amounting to $4,277,000 and has granted mortgages secured by certain real property and improvements.

7. LONG TERM DEBT

Sinking Fund Debentures

	1975	1974
Series A — 7% maturing March 15, 1987 (1)	$ 3,257,000	$ 3,519,000
Series B — 7½% maturing August 1, 1982	320,000	360,000
Series C — 8½% maturing March 31, 1989	700,000	750,000
	$ 4,277,000	$ 4,629,000

(1) After deducting $42,500 (1974 — $55,000) purchased and held in safekeeping for future sinking fund requirements.

The Company has covenanted to provide a sinking fund related to the above debentures aggregating $365,000 by March 31, 1976 and annually thereafter. The debentures are redeemable prior to maturity for other than sinking fund purposes at maximum premiums ranging from 4% to 5.70%, such premiums to decrease by .375% to .50% yearly until the various redemption prices equal the par values.

	1975	1974
Bank loans	$15,128,000	$11,893,000

The above include special loans and oil and gas production loans with maturities from 1977 to 1992 and carry interest rates ranging from 9% to 12% at March 31, 1975.

	1975	1974
Mortgages, secured debentures, conditional sales contracts, etc.	$19,846,000	$17,444,000

The above mature from 1975 to 1999 and carry interest rates ranging from 6¼% to 14⅜% at March 31, 1975.

	1975	1974
Interim financing	$28,271,000	—

The interim financing includes advances of $19,500,000 on long term financing of $40,000,000 which is proposed for closing in June 1975 and will be repayable over a six year term. Additional interim bank financing of $8,771,000 has been advanced at March 31, 1975. This interim financing will be repaid from the proceeds of long term financing.

The Company is presently negotiating for further long term financing of $13,000,000 which together with the $40,000,000 financing referred to above, will provide total long term financing of $53,000,000 towards the capital expenditures required as outlined in Note 4(a).

	1975	1974
Total long term debt	$67,522,000	$33,966,000
Less amount due within one year	5,132,000	2,898,000
	$62,390,000	$31,068,000

8. MINORITY INTEREST

Amounts making up minority interest are as follows:

	1975	1974
Preferred shares	$ 2,708,000	$ 2,463,000
Common shares and contributed surplus	331,000	351,000
Retained earnings	1,556,000	1,182,000
	$ 4,595,000	$ 3,996,000

9. CAPITAL STOCK

(a) Capital stock

	Authorized		*Issued*	
	Shares	*Amount*	*Shares*	*Amount*
Preferred Shares of the par value of $25 each, issuable in series	680,000	$17,000,000		
8% Cumulative Redeemable Convertible Preferred Shares, Series A				
— Issued as at March 31, 1974			195,095	$4,877,375
— Converted into Common Shares			(1,370)	(34,250)
— Purchased for cancellation			(8,477)	(211,925)
			185,248	$4,631,200
Subordinated Preferred Shares of par value of $10 each, issuable in series	300,000	$ 3,000,000		
5% Subordinated Cumulative Redeemable Convertible Preferred Shares 1969 Series				
— Issued as at March 31, 1974			31,450	$ 314,500
— Converted into Common Shares			750	7,500
			30,700	$ 307,000
6% Subordinated Cumulative Redeemable Convertible Preferred Shares 1970 Series				
— Issued as at March 31, 1975 and 1974			133,000	$1,330,000
6% Subordinated Cumulative Redeemable Convertible Preferred Shares 1973 Series				
— Issued as at March 31, 1975 and 1974			38,000	$ 380,000
Preferred Shares				$6,648,200
Common Shares of the par value of $1 each	8,952,000	$ 8,952,000		
Issued as at March 31, 1974 (1)			3,109,272	$3,109,272
Issued during the year on conversion of preferred shares			7,110	7,110
Issued on exercise of share purchase warrants			135	135
Common Shares (1)			3,116,517	$3,116,517

(1) Exclusive of 618,980 shares owned by subsidiaries.

(b) At March 31, 1975 a total of 1,018,301 Common Shares were reserved for issuance as follows:

i. Upon exercise of outstanding share purchase warrants —
Series A, expiring March 15, 1977 — 148,609 shares at $6 per share;
Series B, expiring March 31, 1979 — 15,000 shares at $14 per share;
Series C, expiring February 27, 1981 — 15,000 shares at $8⅓ per share.
(All subject to adjustment in certain events).

ii. Upon exercise of conversion privileges of Preferred Shares —
185,248 Series A Preferred Shares, convertible up to March 1, 1977 into 555,744 Common Shares.

30,700 Preferred Shares 1969 Series, convertible up to December 31, 1979 into 122,800 Common Shares.

133,000 Preferred Shares 1970 Series, convertible between January 1, 1975 and December 31, 1980 into 133,000 Common Shares.

38,000 Preferred Shares 1973 Series, convertible between July 1, 1978 and July 1, 1983 into 28,148 Common Shares.
(All subject to adjustment in certain events).

10. CONTRIBUTED SURPLUS

	1975	1974
Opening balance	$2,050,000	$1,982,000
Portion of issue price of Common Shares	35,000	53,000
Gain on purchase for cancellation of preferred shares	20,000	15,000
	$2,105,000	$2,050,000

11. RETAINED EARNINGS

(a) Under the provisions of the governing statutes, $2,362,000 (the amount equal to the par value of preferred shares redeemed) is restricted from distribution to shareholders.

(b) An ageement with certain preferred shareholders requires that a purchase redemption fund be established and $169,000 is restricted for this purpose.

(c) The trust deeds under which the Series "A", "B" and "C" debentures were issued provide certain restrictions on payment of dividends and covenants granted in respect of interim financing and the related long term financing of $40,000,000 provide restrictions on payment of dividends on common shares.

12. COMMITMENTS AND CONTINGENT LIABILITIES

(a) The Company has entered into lease agreements for premises at annual rentals of approximately $1,497,000 as at March 31, 1975 and for various terms expiring up to 1990. In addition, the Company has entered into lease agreements covering various other assets which at March 31, 1975 called for annual rentals of $1,182,000 until 1987.

(b) Pension and Retirement Plans —
The Company has an unfunded liability with respect to past service which it is anticipated will be paid into the plan in equal annual instalments of $47,000 until 1992.

(c) Income Taxes — Contingent Liability —
In prior years, the company acquired certain subsidiaries which had incurred exploration and development expenditures. In computing taxable income for the years March 31, 1968 to March 31, 1972 these subsidiaries had deducted the expenditures previously incurred. The Department of National Revenue — Taxation Division has questioned the deductibility of these particular expenditures and has issued assessments totalling $1,041,240 indicating that in its opinion the right to these deductions were no longer vested in the companies due to certain agreements entered into by them. On the advice of counsel appeals have been entered against the assessments. The company has provided out of earnings in 1969 and 1970 an income tax reserve of approximately $340,000 which is available in the event the company's appeals and, if necessary court actions, are not successful.

The Company has been assessed, in respect of fiscal periods from 1967 to 1973 income tax and interest of $354,000. The income tax so assessed relates to disallowance of certain interest expense. The Company is taking all necessary steps to contest the assessments and accordingly no provision has been made in the accounts.

13. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The Company and its subsidiaries paid all directors and senior officers including directors who are officers, an aggregate of $670,600 during the year ended March 31, 1975.

14. EARNINGS PER COMMON SHARE

	1975	1974
Basic earnings per Common Share		
Earnings before extraordinary item	$2.94	$1.51
Extraordinary item	0.07	0.10
Net earnings	$3.01	$1.61
Fully diluted earnings per Common Share		
Earnings before extraordinary item	$2.35	$1.26
Extraordinary item	0.05	0.08
Net earnings	$2.40	$1.34

Fully diluted earnings per Common Share give effect to the exercise of warrants and options outstanding and the conversion of Preferred Shares.

Auditors' Report

The Shareholders

Westburne International Industries Ltd.

We have examined the consolidated balance sheet of Westburne International Industries Ltd. and its subsidiaries as at March 31, 1975 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination of Westburne International Industries Ltd. and those subsidiaries of which we are the auditors, included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at March 31, 1975 and the results of their operations and the changes in their financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta
May 28, 1975.

Touche Ross & Co.
Chartered Accountants

WESTBURNE / WORLDWIDE

CANADA

Operates 102 branches in plumbing, heating and electrical supply and 4 branches in oilfield supply.

Drilled in excess of 11,000 wells, of all depths since 1939. All types of terrain including mountains, foothills, prairie, arctic and offshore — at July 1, 1975 — 30 land rigs.

ARCTIC ISLANDS

One of the first companies to drill in remote Arctic Islands. Through Commonwealth Hi-Tower and Drill-arctic joint ventures, now operates 4 rigs.

BEAUFORT SEA

Research and development program including design of drilling vessel for use in ice-congested waters.

CENTRAL UNITED STATES

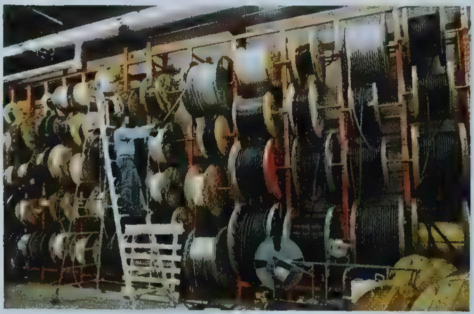
Operates 12 land rigs in the Rocky Mountain region of the Central USA.

BRAZIL

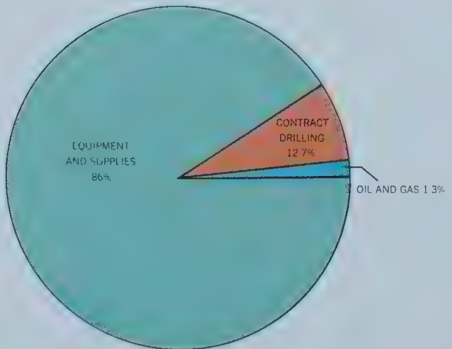
Large helicopter transportable rig.


NORWAY
Helicopter transportable rig — Svalbard Archipelago.
ORTH SEA
ngineering and construction of off-
hore platform rigs to be operated
y Westburne.
IRAN
5 specially designed desert rigs for this area.
INDONESIA
2 helicopter transportable rigs and one service rig in jungle of West Irian.
OFFSHORE
One jack-up rig
and participant in 3
semi-submersible
drilling vessels.
OIL AND GAS
EXPLORATION AND
PRODUCTION
ALGERIA
Operates 4 specially designed desert rigs.

Reports of Operating Divisions



SOURCE OF 1975 GROSS REVENUE



EQUIPMENT AND SUPPLIES DIVISION

Fiscal 1975 was another year of continued growth in sales and earnings. Operating revenues reached the $267 million mark for a 33% increase. Our across-Canada wholesale distribution system of plumbing, heating and electrical supplies was further expanded through the acquisition in October 1974 of Van Horne Electrical Supplies Limited, a Vancouver based electrical wholesaler. In addition, 3 branches were opened bringing to 102 the number of branches operated. At present 32 branches are integrated, selling both the plumbing-heating and the electrical group of products.

The oilfield equipment supply business which commenced operations nearly 30 years ago, had a very successful year with operating revenues of approximately $20,200,000 of which less than 12.5% of sales were to affiliated companies. This facet of the equipment and supplies division operates from branches in British Columbia, Alberta and Saskatchewan.

During the past year this division benefited from favourable conditions in housing completions and in commercial and industrial construction. The outlook for fiscal 1975-1976 is somewhat less favourable due to restrictive factors such as the high cost of money, inflationary pressure on cost of products and the threat of labour disruption in the construction industry. Nevertheless, our policy of financial and operational consolidation, penetration of new markets and securing of additional product lines together with legislation recently enacted by or proposed to Federal and Provincial governments to stimulate housing starts, permit us to hope that in the present year we will still record modest but gratifying progress.

DRILLING DIVISION

This division gained in profitability in spite of a reduction in demand for contract drilling services in Western Canada. This gain was due to increased activity in the United States, Brazil, Indonesia, Iran and Gabon. There has been an increasing demand for drilling equipment services in every oil producing country of the world with the exception of Canada. Federal/Provincial confrontation on income tax policies in the resource industry has inhibited exploration drilling to the extent that the Company had 35% less rig utilization in Canada than in the previous fiscal year. Fortunately the transfer of 12 drilling rigs to the United States took up the slack and the combined operations in Canada and the United States resulted in maintaining approximately the same net financial results as in the previous year for North American operations.

During the year the Company continued its program of international expansion both on land and offshore. Equipment was mobilized for large contracts in Algeria and Iran. By March 31, 1975 the first two of four large land rigs slated for Algeria had arrived and were being moved to location in the Sahara desert. The second two rigs were shipped to Algeria from Houston in late May. Four large land rigs are presently being assembled in Houston for shipment to Iran. It is anticipated the first of these rigs will commence work in Iran in September and the others by the end of October.

In addition to the eight rigs mentioned above, the Company purchased from the Commonwealth Hi-Tower Arctic Joint Venture their largest rig in the Canadian Arctic, moved it to Houston, modified it for desert use and commenced work in Iran in January, 1975.

The Company has contracted to provide the services of a specially designed rig for a production platform in the Brent field in the North Sea. The equipment is being assembled for commencement of this work in mid-1976.

Westburne and Bj. Ruud-Pedersen, a Norwegian shipping concern, have entered into a joint venture to construct and operate the first-ever Canadian designed drillship. The Westburne-designed ship "Essidrill" is being built by Nippon Kokan KK in Japan at a cost of approximately $35 million for delivery in October 1976. Westburne will contribute 5% of the cost of the drillship, will earn in due course a 40% interest in the vessel and will share 50% in operating profits of the joint venture from inception.

Westburne's consulting engineering group had another successful year and has expanded its activities to include construction supervision which now provides the group with a complete project management capability. Two projects which are currently being managed by Westburne Engineering are the Essidrill (the drillship now under construction in Japan) and the North Sea platform rig under construction in Holland. These services have also been provided to outside clients and several new projects are under negotiation.

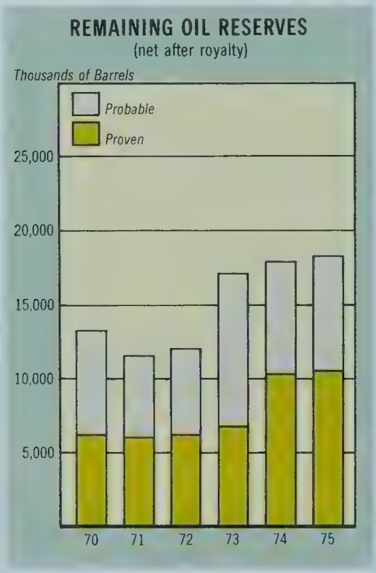
Your Company in April and June, 1975 disposed of some of its Canadian drilling equipment at public auction. For many years there has been in Canada, a surplus of drilling equipment in certain categories. This has resulted in under-utilization of rigs and downward pressure on the price structure for rig services. At the same time, demand for equipment in these categories has increased in the United States where incentives, particularly the price paid for new oil, have stimulated exploration. In Westburne's view, this afforded the opportunity to realize on surplus drilling equipment at an attractive cash price and at the same time obtain better balance between operations on land and offshore in Canada, the United States and other foreign countries. Despite the disposal of a considerable number of drilling rigs, Westburne continues to be the largest drilling contractor in Canada in terms of number of rigs available to its customers.

EXPLORATION AND PRODUCTION DIVISION

Operating revenue from this division for the year ending March 31, 1975 was $4,125,000 compared with $2,509,000, an increase of 64% over the same reporting period last year.

Oil and gas reserves are located in various fields in Saskatchewan, Alberta and British Columbia. At January 1, 1975 proven and probable reserves were 10,038,444 barrels and 7,660,898 barrels respectively.

Current gross production of oil is approximately 2,100 bbls. per day.



EXPLORATION — OIL & GAS

— Canada

The division participated in the drilling of 12 wells (6.10 net wells) resulting in 11 oil wells (5.80 net oil wells) and one well which was dry and abandoned. All of these wells were drilled in the Province of Alberta.

One discovery well in Saskatchewan drilled in the previous period has now been completed and is on production.

— Arctic Islands

Through its 2.2% interest in Panarctic Oils Ltd., the Company participated in Panarctic's drilling program, the highlight of which was the success of the recent offshore test drilled east of the Drake Point gas field. This new success has not only proved previously reported gas reserves but added an additional one to two trillion cubic feet to expected reserves in the pool. The Drake Point gas field is now confirmed to be over 25 miles in length and is by far the largest gas accumulation in the Arctic Islands discovered to date.

Panarctic has stated that gas reserves in the Arctic Islands are now estimated at 13 to 14 trillion cubic feet. Thus, continued progress is being made in assembling the 20 trillion cubic feet of gas reserves required to support the economic feasibility of the Polar Gas Pipeline Project to market Arctic Islands gas.

— U.K. Offshore

The Company participated in the drilling of three wells in the North Sea. One well is drilling at the present time, one well was abandoned and a third well in which we hold a 5% interest resulted in an encouraging hydrocarbon discovery in the Jurassic sands in the eastern portion of Block 2/10. Although cores of the Jurassic sands were recovered and logs were run covering this zone, a test to determine the producing potential of the indicated pay interval could not be run due to mechanical difficulties. It was decided to suspend the well in favour of additional drilling on the block. The rig has now been released from the drillsite and after drilling one more well for another company it will return for the drilling of three consecutive wells for our group.

— Bolivia

The Company is a 25% member of a group that has been awarded a 2½ million acre block in the southern producing area of the country. The terms of the agreement involve a commitment to drill three wells during the first 18 months after the effective date of the contract. In the event of a discovery the group's share of the proceeds from production is to be 40% to 43% depending on the producing rate.

EXPLORATION — URANIUM

Agreement has been reached with Cominco Ltd. to finance the further exploration work required to more fully evaluate the Baker Lake uranium properties. Cominco Ltd. has made an initial firm commitment to spend $1 million over a two-year period on the properties and following this, by continuing exploration until a total of $5 million has been spent, they will have earned a 55% interest in the acreage.

Six Year Summary [1]

year ended March 31

(Thousands of Dollars except Per Share data)

	1975	1974	1973	1972	1971	1970
Operating						
Operating revenues	**$310,488**	$235,330	$179,093	$130,636	$104,714	$105,407
Pre-Tax Earnings — before extraordinary items	**20,390**	11,244	7,940	4,859	4,323	4,916
Net Earnings — before extraordinary items	**9,668**	5,194	4,044	2,754	2,639	1,948
Net Earnings — after extraordinary items	**9,874**	5,513	4,444	2,856	3,156	2,596
Net Earnings applicable to Common Shares	**9,378**	5,004	3,941	2,343	2,648	2,578
Per Common Share Outstanding (2)						
Basic Earnings — Ordinary	**$2.94**	$1.51	$1.17	$0.75	$0.74	$0.69
— Extraordinary	**0.07**	0.10	0.13	0.03	0.18	0.24
— Total	**3.01**	1.61	1.30	0.78	0.92	0.93
Fully Diluted Earnings						
— Ordinary	**2.35**	1.26	0.99	0.68	0.66	0.64
— Extraordinary	**0.05**	0.08	0.10	0.02	0.13	0.20
— Total	**2.40**	1.34	1.09	0.70	0.79	0.84
Cash Flow From Operations — after preferred dividends	**16,233**	10,888	9,069	4,943	5,183	4,982
Financial						
Receivables	**56,423**	48,838	39,592	26,310	20,658	19,532
Inventories	**49,461**	42,910	29,698	22,547	16,124	16,225
Working Capital	**31,927**	24,780	20,766	11,598	13,367	11,421
Fixed Assets, net	**81,437**	48,639	39,721	32,441	27,421	24,395
Total Assets	**213,934**	155,445	119,751	90,466	71,229	66,984
Common Shareholders' Equity	**41,496**	32,021	27,294	23,031	19,427	16,036
Equity per Common Share (3)	**$13.31**	$10.30	$ 8.85	$ 7.64	$ 6.72	$ 5.79

(1) Results for 1970 to 1973 inclusive have been restated to give retroactive effect to tax allocation accounting relating to intangible exploration and development expenses.

(2) Based on weighted average number of common shares outstanding during year.

(3) Based on common shares outstanding at year end.

A strong heritage...

This is the City of Calgary — the city that agriculture and oil built and are still building.

It is the city with the newest downtown core of any Canadian city, for few of the bright and shiny structures seen in this picture were here twenty years ago. Indeed fully half the towering sky-scrapers in the centre of focus were not here even ten years ago. These are the structures which house the head offices of the companies, large and small, which make up the Canadian petroleum industry. Thousands of people are employed in supplying the support services for the Canadian petroleum exploration, production and pipeline companies.

Calgary is celebrating its centenary this year. It was one hundred years ago this summer when Inspector Brisbois and his company of the North West Mounted Police arrived at the confluence of the Bow and Elbow rivers and established Fort Calgary. Its growth was exceedingly modest during its adolescent years, but with the arrival of the waves of settlers prior to the First World War to take up the rich farm land to the east and south, it quickly became the centre of Alberta's grain and ranching industry. It was a group of ranchers and Calgary business men who provided the inspiration and financing that sparked Alberta's first oil boom which exploded with the Dingman discovery in 1914. The Dingman well was followed by Royalite #4 in 1924, by Turner Valley Royalties #1 in 1936 and by Leduc #1 in 1947.

Westburne is proud to recall that its roots go back deep into the history of Alberta oil development, arising as it does from the merger of Commonwealth Petroleum Services Limited, originally incorporated as Ainsworth Oils Ltd. in 1927, and Southwest Petroleum Co. Ltd. originally incorporated in 1928. Both were successful developers in Turner Valley. Westburne, from these beginnings and through acquisition of other pioneer companies such as General Petroleums Ltd. organized in 1931, and Westburne Industries Ltd. organized in 1952, grew and diversified into contract oil and gas drilling and wholesale plumbing, heating, electrical and oilfield supplies, in addition to its oil and gas exploration and production.

Westburne salutes the City of Calgary on its centennial and is proud to have the head office of its worldwide operations still located in this city.

JAMES H. GRAY


Calgary in 1886.

PRINTED IN CANADA

File

WESTBURNE INTERNATIONAL INDUSTRIES LTD.
AND SUBSIDIARY COMPANIES

INTERIM REPORT FOR THE SIX MONTH PERIOD ENDED SEPTEMBER 30, 1975

LITHOGRAPHED IN CANADA

TO THE SHAREHOLDERS:

Operating revenues of your Company for the six months to September 30, 1975 reached \$164,640,000 compared to \$144,844,000 in the same period in 1974. Net earnings applicable to common shares which included an extraordinary gain of \$839,000 reached \$3,760,000 in this period compared to \$3,539,000 last year. Net earnings, excluding the extraordinary gain were \$2,921,000 compared to \$3,539,000 resulting in earnings per common share of \$0.91 (\$1.14 in 1974) and net earnings per common share including the extraordinary gain were \$1.18. The extraordinary gain of \$839,000 after applicable income tax, arises from the sale of drilling equipment considered surplus to our Canadian operations.

Cash flow from operations was \$7,358,000 compared to \$6,456,000 in the same period in 1974.

The equipment and supplies division (wholesale plumbing, electrical and oilfield equipment) continued its excellent performance in sales and profitability. The oil and gas exploration and production division continued development drilling in the Provost area, has undertaken a substantial exploration project with other companies in Bolivia, and is participating in a well presently being drilled in the North Sea. Earnings of the drilling division were adversely affected by high start-up costs in foreign operations but we expect improved earnings in the second half of the fiscal year.

There has been recent publicity about a down-turn in worldwide drilling operations and in order to clarify the facts for our shareholders we would comment as follows: the down-turn is largely confined to offshore exploration and drilling activities and has been brought about by severely escalating costs of both the necessary production drilling platforms in the North Sea and of exploration drilling utilizing semi-submersible and jack-up rigs of new and expensive design, working in deeper waters. The cash resources of oil producers to meet rising exploration costs have been severely impaired in many areas, including Canada, by substantial increases in government royalties and/or government participation. We have cancelled some drilling equipment orders that were placed two years ago for prospective North Sea projects. The drillship to be built in Japan by a Westburne-Norwegian joint venture has been cancelled along with equipment for the project.

On the other hand, land drilling activities all over the world are continuing at a record pace. Of special note is activity in continental United States where practically every available rig is working. We expect this land drilling activity, which is the basic strength of Westburne's drilling operations, to continue through 1976. In fact, there is such a demand from foreign sources that we are unable to meet the many requests for new drilling equipment. Our new rig for operation in Indonesia is on location and all rigs in Algeria and Iran are now operating. Current Canadian activities are substantially ahead of one year ago and the outlook for this winter's activity is excellent.

During the second fiscal quarter the 8% Series A Preferred Shares were called for redemption. Of the 183,648 Series A Preferred Shares outstanding at the date they were called for redemption the holders of 108,814 Preferred Shares elected to convert such shares into 326,442 Common Shares. The holders of 74,834 Preferred Shares elected to redeem their shares at the redemption price of \$27.00 per share. As a result Common Shares outstanding at September 30, 1975 total 3,451,829.

J. A. SCRYMGEOUR
Chairman of the Board

November 17, 1975.

WESTBURNE INTERNATIONAL INDUSTRIES LTD.
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS

for the six months ended September 30

(Thousands of Canadian Dollars)

(Except per Share Data)

	1975	*1974*
INCOME:		
Sales and operating revenue	$ 164,640	$ 144,844
Other income	872	766
	165,512	145,610
COSTS AND EXPENSES:		
Cost of sales and services	129,805	113,972
Depreciation and depletion	2,116	1,996
Selling, general and administrative	21,060	17,395
Interest	3,694	3,340
	156,675	136,703
EARNINGS BEFORE INCOME TAXES, EXTRAORDINARY ITEM AND MINORITY INTEREST	8,837	8,907
INCOME TAXES		
Current	4,574	4,129
Deferred	722	630
	5,296	4,759
NET EARNINGS	3,541	4,148
EXTRAORDINARY ITEM		
Gain on auction of 16 drilling rigs (net of income tax)	839	—
	4,380	4,148
MINORITY INTEREST AND DIVIDENDS ON PREFERRED SHARES	620	609
NET EARNINGS APPLICABLE TO COMMON SHARES	$ 3,760	$ 3,539
BASIC EARNINGS PER COMMON SHARE: (1)		
Earnings before extraordinary item	$0.91	$1.14
Extraordinary item	.27	—
Net earnings	$1.18	$1.14
FULLY DILUTED EARNINGS PER COMMON SHARE:		
Earnings before extraordinary item	$0.79	$0.92
Extraordinary item	.22	—
Net earnings	$1.01	$0.92

(1) Based on weighted average number of common shares outstanding monthly.

The above figures are subject to year end adjustment and audit.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

for the six months ended September 30

(Thousands of Canadian Dollars)

	1975	*1974*
WORKING CAPITAL, April 1	$ 31,927	$ 24,780
SOURCE:		
Net earnings	3,760	3,539
Depreciation and depletion	2,116	1,996
Deferred income tax	1,195	630
Other	287	291
Funds from operations	7,358	6,456
Increase in long term debt (net)	14,018	2,148
Collection of notes and mortgages	—	205
Net book value of fixed assets sold	1,756	4,431
Sundry	14	—
Total	23,146	13,240
APPLICATION:		
Purchase of fixed assets and investments	21,582	10,580
Redemption of preferred shares	2,036	—
Deferred contract costs	1,554	—
Sundry	—	84
Total	25,172	10,664
INCREASE (DECREASE) during the period	(2,026)	2,576
WORKING CAPITAL, September 30	$ 29,901	$ 27,356

FINANCIAL HIGHLIGHTS

as at September 30

(Thousands of Canadian Dollars)

(Except per Share Data)

	1975	*1974*
RECEIVABLES	$ 62,677	$ 53,564
INVENTORIES	50,635	42,382
WORKING CAPITAL	29,901	27,356
FIXED ASSETS, net	99,037	53,289
TOTAL ASSETS	239,586	166,763
LONG TERM DEBT — less due within one year	76,408	33,249
COMMON SHAREHOLDERS' EQUITY	47,980	35,600
NUMBER OF COMMON SHARES OUTSTANDING	3,451,829	3,115,917
EQUITY PER COMMON SHARE	$13.90	$11.43

The above figures are subject to year end adjustment and audit.